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Spain

2019 Cotton and Products Annual

Planted Area Remains Stable Despite Recovery in Domestic Demand

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Report Highlights:
Sufficient water reservoirs and good 2018/19 cotton prices will contribute to maintaining a comparable cotton planted area in MY2019/20. Despite the recovery in Spain's domestic demand, export markets remain the main destination for Spain's cotton production.

Disclaimer: This report presents the situation for cotton in Spain. This report contains the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

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Abbreviations used in this report

AITPA	Association for Industrial Textile Cotton Processing
Bales	1 Bale = 217.724 kg =480 lbs
EU	European Union
FAS	Foreign Agricultural Service
GE	Genetically engineered
GTA	Global Trade Atlas
Ha	Hectares (1 Ha = 2.471 acres)
HS Code	Harmonized Codes (for Lint Cotton 5201)
IPAD	International Production Assessment Division
MAPA	Ministry of Agriculture, Fisheries and Food
MS	Member State(s)
MT	Metric ton (1,000 kg)
MY	Marketing year (Aug/Jul)
N/A	Not Available
PS&D	Production, Supply and Demand

Area and Production

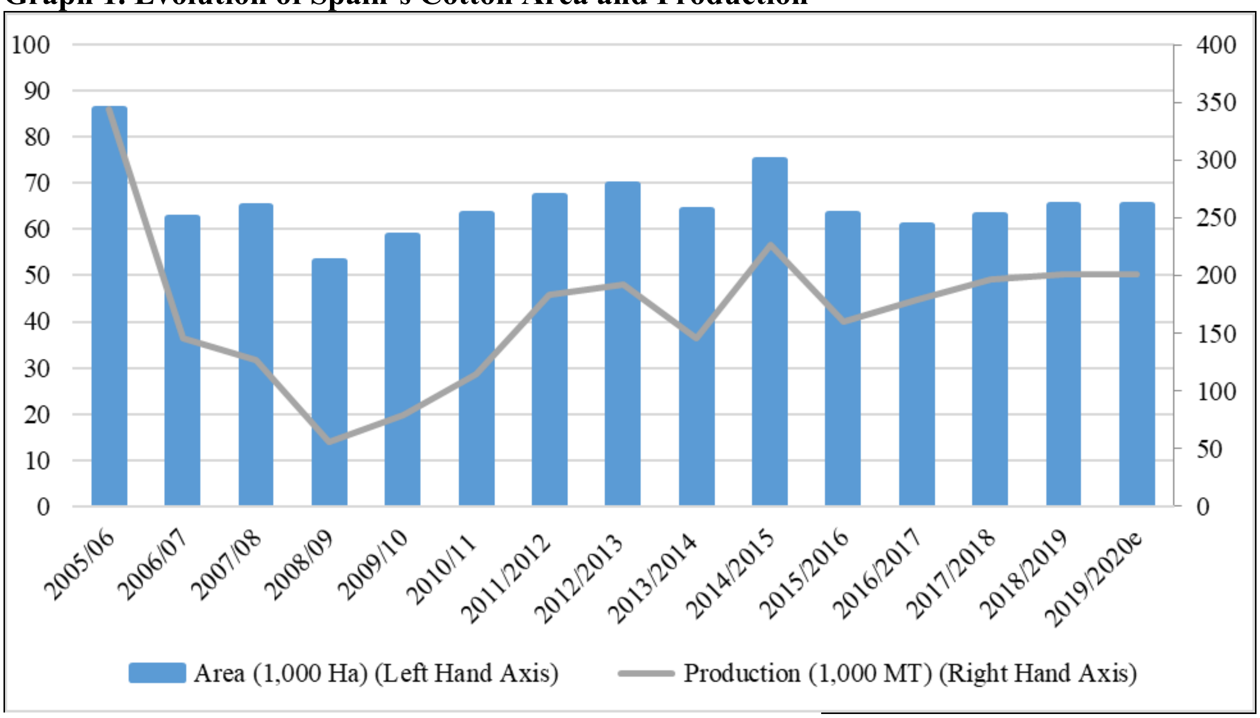
Spain is the EU's second largest cotton growing Member State after Greece. Spain's cotton production accounts for just above 20 percent of the EU-28 cotton output. Cotton production in Spain is concentrated in the Guadalquivir Valley, Andalucía, Spain's southernmost region. The majority of the production is located in the Andalusian provinces of Seville and Cadiz, and to a lesser extent, Cordoba and Jaen. From an environmental, social and economic perspective, cotton is a critical crop in the areas where it is grown as viable crop alternatives are limited. Virtually all cotton in Spain is cultivated under irrigation.

Spain’s cotton area is highly inelastic. It is grown under salty and warm conditions, and there are little alternative crops that can be profitable under these circumstances. However, slight area variations can occur, depending on water supplies, price relations, and competition from other crops. To a certain extent, available subsidies also play a role in planting decisions.

The implementation of the EU cotton reform in 2006 resulted in a significant reduction in cotton planted area, which reached a record low in **MY2008/09**. The amendments introduced by Regulation (EC) 637/2008 resulted in an area recovery until MY2014/15[1] when cotton area hit its highest level in 9 years. The downwards revision of the reference amount for area payments resulted in a new drop in the cotton planted area, which has stabilized around 63,000 Ha. (For additional information, see **Policy** Section)

Water reservoirs ensure water availability for irrigation along with good prices in MY2018/19 (**Graph 2**) support a similar cotton planted area for MY2019/20 (**Graph 1**).

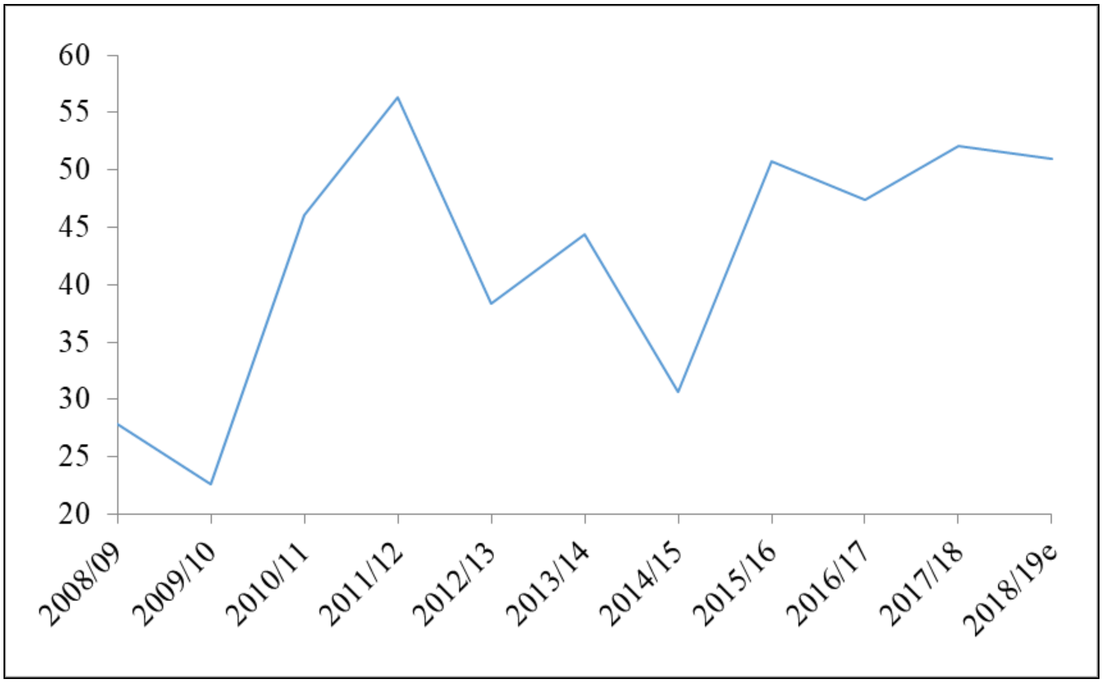
Graph 1. Evolution of Spain’s Cotton Area and Production



Source: MAPA. Junta de Andalucía and FAS Madrid estimates.

[1] *With the exception of MY2013/14, when farmers decided to switch away from cotton due to the integrated farming aid phase-out and better margins expectations for corn.*

Graph 2. Average Raw Cotton Prices (Euros/Kg)



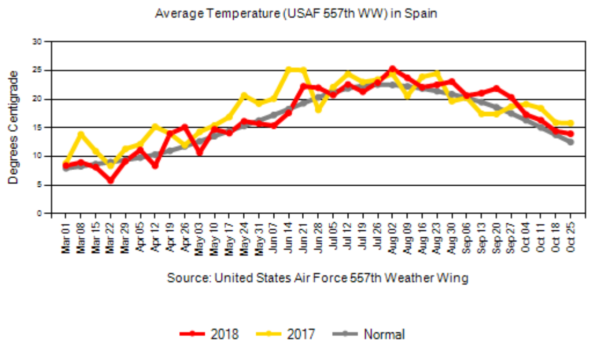
Source: FAS Madrid based on MAPAMA data.

In **MY2018/19,** pest incidence was low, which favored good crop development. As GE cotton varieties are not allowed for planting in the EU, farmers rely exclusively on the use of pesticides to reduce pest incidence.

Abundant precipitations between March and early June (SP1818) delayed Spanish cotton planting, development, and harvesting operations, which only started as of the beginning of October 2018 (see **Graph 3** and **Graph 4**). October precipitations slowed down harvest operations, which were extended until mid-December.

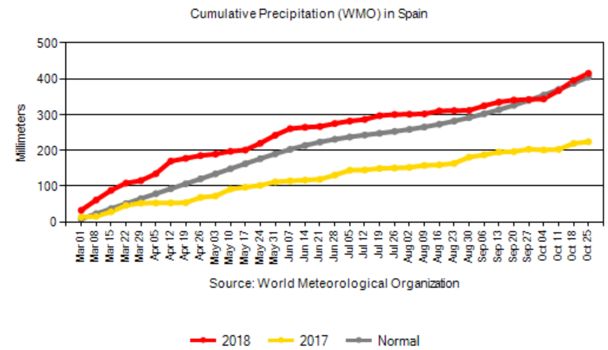
According to the latest official statistics by the Ministry of Agriculture, Fisheries and Food (MAPA), in 2018, the Spanish cotton planted area registered an increase of three percent compared to the planted area in 2017. Industry sources anticipate higher production levels, but lower yields than those obtained in 2017, when cotton crop yields were excellent.

Graph 3. Average Temperature
Summer Growing Season - Spain



Source: IPAD/FAS/USDA

Graph 4. Cumulative Precipitation
Summer Growing Season - Spain



Source: IPAD/FAS/USDA

Consumption and Marketing

Spain has eight ginning plants in Andalucía, of which only seven are currently operational.

According to Spanish industry, raw cotton processing rates are as follows:

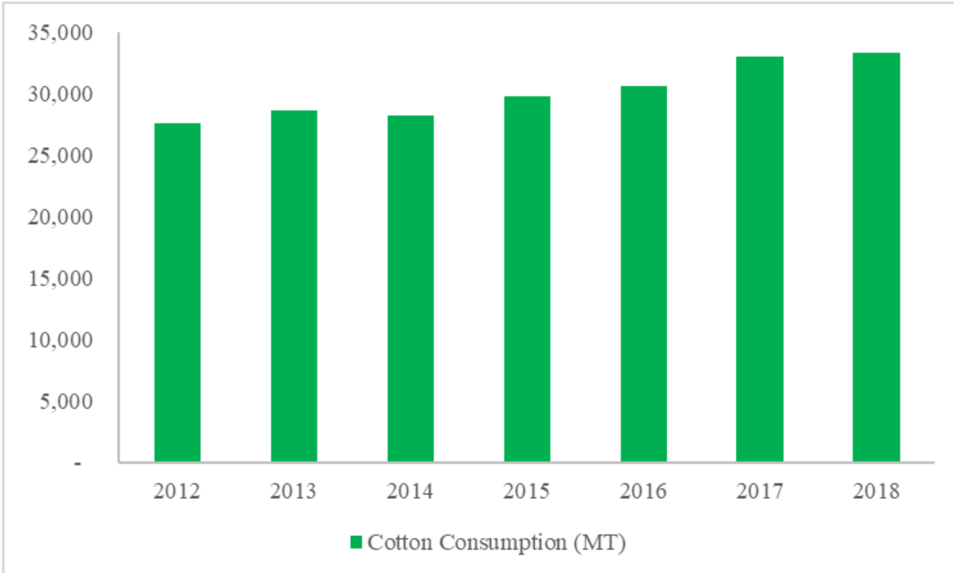
- Cotton Lint yield = 32-33 percent (national weighted average) of total Seed Cotton delivered to ginneries
- Cottonseed yield = 54 percent (national weighted average) of total Seed Cotton delivered to above ginneries
- The remaining 13-14 percent is moisture and waste[2].

Higher Value Products – Textile Products

The cotton processing industry in Spain is concentrated in Catalonia. According to the information provided by the Association for Industrial Textile Cotton Processing (AITPA), an increase of almost 20 percent in cotton consumption has been registered over the past 5 years
(**Graph 5**).

[2] *Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.*

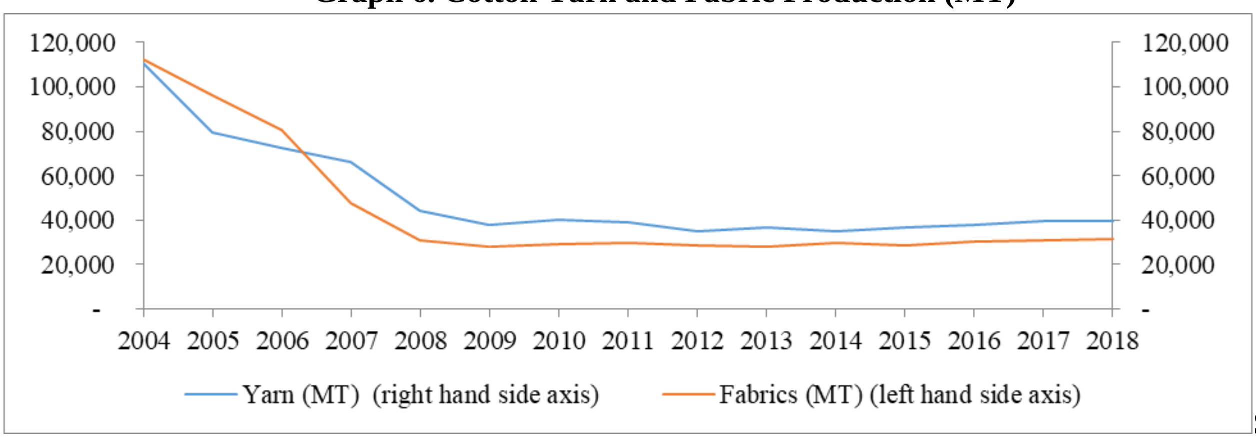
Graph 5. Cotton Consumption (MT)



Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing)

In terms cotton yarn and fabric production, (see **Graph 6**) AITPA reports a 13 and 7 percent production increase, respectively, between **2014** and **2018**.

Graph 6. Cotton Yarn and Fabric Production (MT)*



Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing)

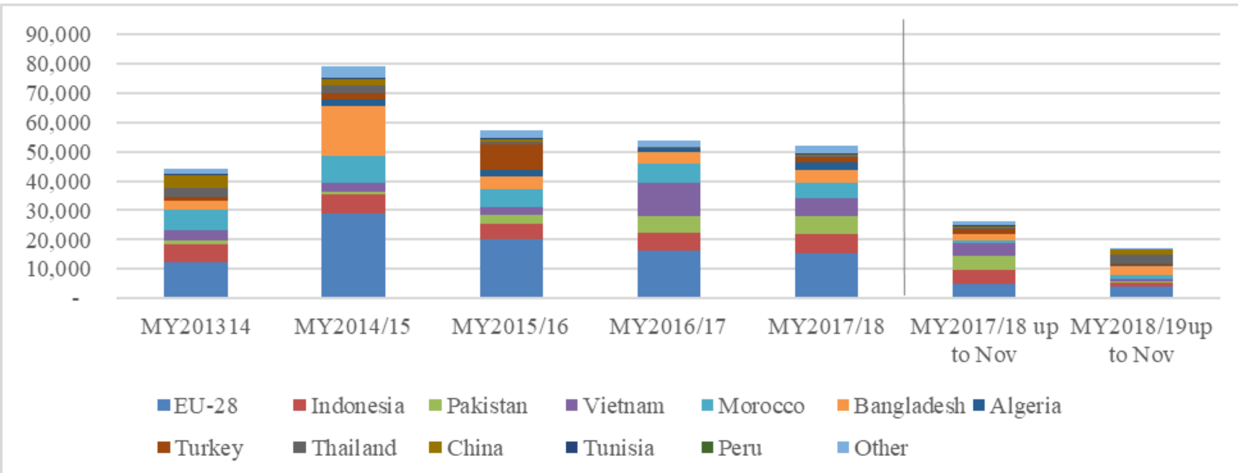
** AITPA numbers include blends with synthetic yarns.*

In 2018, main destinations for Spanish yarns and fabric continued to be Morocco (28 percent) and other EU Member States, such as Italy (11 percent), Portugal (11 percent), France (9 percent) and Germany (6 percent). The main origins of imported cotton products in 2018 included Pakistan (25 percent), China (24 percent), Turkey (20 percent), Portugal (12 percent), and Italy (12 percent).

Trade

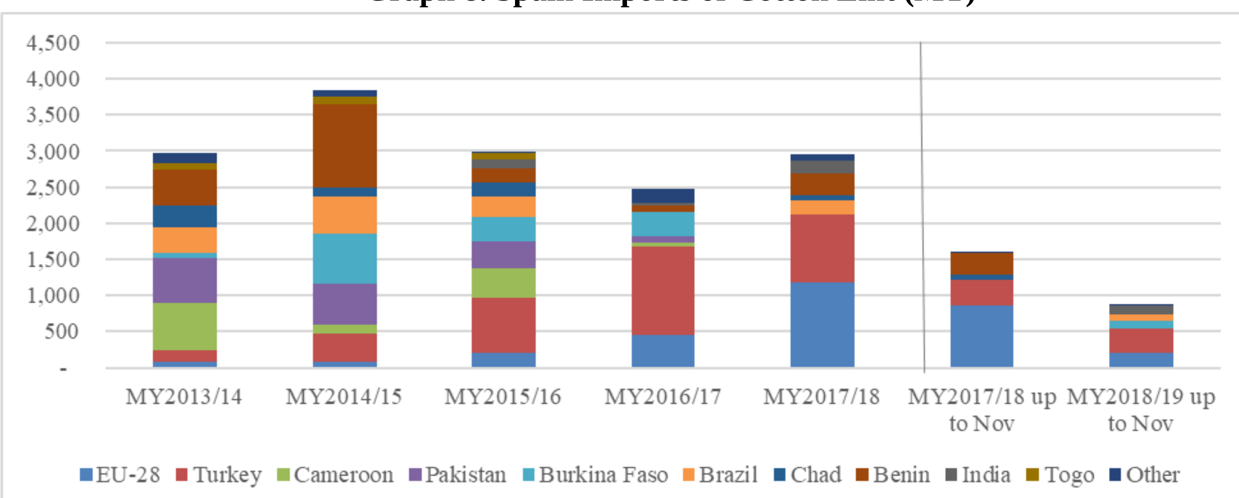
Spain is a net exporter of cotton lint, with exports largely exceeding imports. Other EU Member States are their main destination, followed by Indonesia, Pakistan, Vietnam and Morocco (**Graph 7**). Spain cotton lint imports originate normally mainly in Turkey. However in MY2017/18, other EU Member States (Portugal and France) became Spain's largest cotton lint suppliers (**Graph 8**).

Graph 7. Spain Exports of Cotton Lint (MT)



Source: GTA.

Graph 8. Spain Imports of Cotton Lint (MT)



Source: GTA.

Policy

At the moment, the **Cotton Specific Support,** as established by Spain's EC Accession Treaty, serves as the only policy incentive for cotton production (**Table 3**). Since **MY2015/16,** the **Cotton Quality Premium** was phased out in MY2015/16 and **Integrated Farming Payments** in **MY2013/14**.

In **2015**, the **Single Payment Scheme** was replaced by the so-called **Basic Payment,** which is not crop specific. Spain has opted for a region-based system. In the irrigated land in the Guadalquivir basin, where most of the cotton is grown, industry sources estimate that Basic Payment would add up to about 450 Euros per hectare. A large part of the support received by farmers will be linked to compliance with greening measures.

Cotton Specific Support

In 2006, Spain's cotton planted area declined significantly as a result of the implementation of the EU cotton reform, reaching a record low in **MY2008/09**. In **MY2009/10** the Regulation (EC) 637/2008 introduced some amendments to the cotton regime: the national guaranteed area was reduced from 70,000 ha to 48,000 ha with a total budget of 67.2 million Euros. Since **MY2009/10,** the cotton aid increased in value per hectare, but less acreage can benefit from this payment. Since **MY2014/15,** the reference amount for area payment has been lowered from 1,400 Euros/Ha to 1,267.53 Euros/Ha. Specific conditions to be eligible to receive this coupled support are defined annually in Spain's National Gazette.

Ministerial Order APA/37/2019 establishes the requirements to receive the cotton specific premium in MY2019/20, which consist of:

- Only agricultural plots that were not planted with cotton[3] during the previous season, but that at least were planted with cotton once in the marketing years 2000/01, 2001/02 or 2002/13, are eligible for this specific support.

- Only cotton varieties contained in the EU Plant Varieties Common Catalogue can receive the cotton specific support premium.

- Seeding density should be over 100,000 plants per hectare in irrigated plots and over 90,000 plants per hectare in non-irrigated plots. Seeding density can be just 75,000 plants per hectare in case of interspecific hybrid varieties.

[3] *Plots below 10 Hectares are exempted from this requirement.*

- Crop should develop under normal conditions and be harvested. Production obtained must meet minimum quality requirements.

Currently, the budget for the Cotton Specific Payment is fully used even though correction factors are needed to adjust the reference area payment to the actual subsidy-eligible area. Subsidies allocated each Marketing Year can be consulted in **Table 3**.

Table 3. Subsidies Available for Cotton Growers

Support Scheme	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20e
Specific payment adjusted (€/ha)	1,105	1,024	983	1,060	825	978	1,027.97	995.64	964.55	985.49
Article 69 payment (€/ha)	289.81	224.75	-	-	-	-	-	-	-	-
Article 68 payment (Euros/MT)	-	-	77.68	95.12	57	-	-	-	-	-
Basic Payment	-	-	-	-	-	450*	450*	450*	450*	450*
Integrated farming aid (€/ha): Under 40 ha. Between 40 and 80 ha. More than 80 ha.	350 210 105	350 210 105	350 210 105	-	-	-	-	-	-	-
Basic Agro-environmental Support 2015-2020 (€/ha) (with additional Commitment)	-	-	-	-	-	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)

Source: FEGA and FAS Madrid estimates.
**Industry estimate*

The regional government of Andalucía has defined an Agro environmental measure for sustainable industrial crops (cotton and sugar beet). Commitments must be observed for a period of five years.

Between 2015 and 2020, eligibility requirements to receive the Basic Agro-environmental support Aid (290.27 €/ha) are as follows:

- Integrated farming practices must be carried out and accredited.
- Land under eligible crops[4] must be at least 0.5 Ha
- Farmers must attend two courses of mandatory training on agro-environmental commitments within the four year period.
- Crop waste, such as stocks, should be shredded and uniformly distributed.
- Farmers must accredit compliance with agro-environmental commitments.
- Farmers must grow a legume crop at least once within the five years period of commitment as a second crop to cotton. The legume crop should be carried out between autumn and up to at least February 28 of the following year, once the legume crop has reached a milky stage.
- Additionally, farmers may volunteer to grow and bury a crucifer crop at least once within the five years period of commitment as a second crop to cotton. The crucifer crop should be carried out between autumn and up to at least February 28 of the following year. Those farmers can receive a total amount of 433.44 €/ha as Agro-environmental Support. Adherence to this additional commitment is fairly limited.

Production, Supply and Demand Data Statistics

Table 4. Cotton Lint Production, Supply and Demand

Cotton	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Spain	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	63	63	70	65	0	65
Beginning Stocks	26	26	55	55	0	56
Production	294	294	325	300	0	297
Imports	14	14	15	13	0	13
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	334	334	395	368	0	366
Exports	239	239	300	270	0	267
Use	30	40	30	42	0	43
Loss	10	0	0	0	0	0
Total Dom. Cons.	40	40	30	42	0	43
Ending Stocks	55	55	65	56	0	56
Total Distribution	334	334	395	368	0	366
Stock to Use %	20.45	19.71	19.7	17.95	0	18.06
Yield	1016	1016	1011	1005	0	995
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

Related Reports

[4] *Eligible crops include cotton and sugar beets.*

Report Title	Date Released
Cotton and Products – Spain Update 2018	11/02/2018
Cotton and Products – Spain Annual 2018	04/06/2018
Cotton and Products – Spain Annual 2017	04/03/2017
Cotton and Products – Spain Update 2016	10/21/2016
Cotton and Products – Spain Annual 2016	04/01/2016
Spain - Cotton update 2015	11/04/2015
Spain - Cotton and Products Annual 2015	03/25/2015